

NAMAL HIGH YIELD FUND

Interim Report

For the six months ended 30th September 2018

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Interim Report 2018

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Dear Investor,

We take pleasure in presenting the interim report of the NAMAL High Yield Fund (NHYF) for the six months ended 30th September 2018.

Performance review

The NHYF generated an annualised return of 9.97% for the period under review, and 10.25% for the past 12 months. Interest income was Rs. 64.61m and the fund recorded a profit after tax of Rs. 60.12m for the six months under review.

Market Review

The benchmark 12 month Treasury Yields declined during 1HFY19 and stood at 9.51%. The decrease was led by CBSL reducing Standing Lending Facility Rate by 25 bps to 8.50% at the beginning of the period under review. Private credit growth followed a downward trend during the period mainly due to slowdown in lending by financial institutions.

The Sri Lankan economy reported GDP growth of 3.6% YoY for 1HCY18. Growth was mainly led by recovery in agricultural sector which posted a growth of 4.9% YoY. Industries sector continued to grow at a slow pace of 1.6% YoY while service sector grew by 4.8%. Construction sub segment growth remained muted over Q2 2018 (YoY growth of -1.8%), while high growth in sub segments such as telco and financial services led to a higher growth in services sector. On external sector, trade deficit continued to widen, resulting in deficit of USD 7,240 Mn to August 2018. Significant growth in motor vehicle imports, gold and rising crude oil prices had a major impact on trade deficit. Tourism earnings grew by 12.5% to USD 2,935 Mn to August 2018, while worker remittances declined to USD 4,777 Mn, end of August 2018. Overall BoP position to August posted a surplus of USD 474 Mn.

Portfolio Composition

The Portfolio is constructed to maximize returns by investing in high yielding corporate debt. As at 30th September 2018, 48.51% of net assets were invested in Fixed Deposits, 48.07% in Commercial Papers with the remainder in Cash Deposits and Money Market Instruments.

Sincerely,

The Fund Management Team

19th November 2018

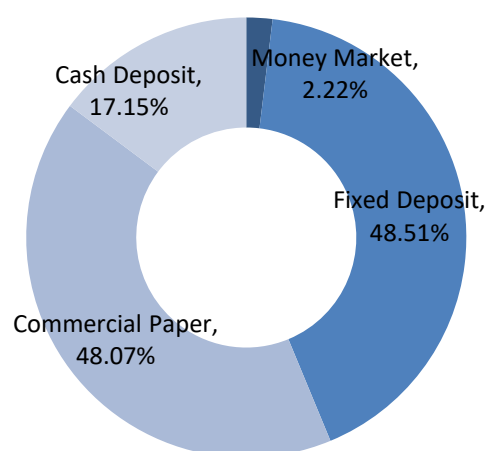
Performance Comparison

	6M* (%)	12M (%)	24M (%)
NHYF	9.97	10.25	11.11

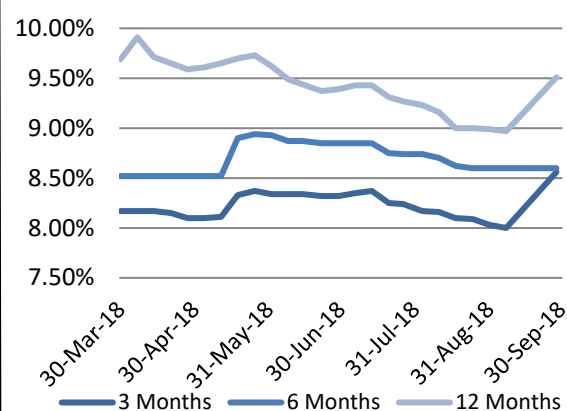
*6 months ending 30th September 2018

*Annualised returns

Asset Allocation



Treasury Bill rates



Source: Central Bank of Sri Lanka

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STATEMENT OF COMPREHENSIVE INCOME
For the 06 month period ended 30th September

	2018	2017
	Rs. Mn.	Rs. Mn.
INVESTMENT INCOME		
Interest income	64.61	255.56
Total Investment Income	<u>64.61</u>	<u>255.56</u>
EXPENSES		
Management and registrar fees	(3.03)	(9.85)
Trustee and custodian fees	(1.16)	(3.47)
Audit fees	(0.19)	(0.13)
Professional charges	(0.06)	-
Bank Charges	(0.04)	-
Other expenses	-	(0.18)
Total operating expenses	<u>(4.49)</u>	<u>(13.62)</u>
NET OPERATING PROFIT/(LOSS)	60.12	241.94
FINANCE COST		
Distribution to Unit Holders	-	-
Interest expense	(0.00)	(0.00)
PROFIT AFTER DEDUCTIONS AND BEFORE TAX	60.12	241.94
Income tax expense	-	(24.19)
PROFIT AFTER TAX FOR THE PERIOD	<u>60.12</u>	<u>217.74</u>
COMPREHENSIVE INCOME		
UNREALIZED GAIN/LOSS	-	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	<u>60.12</u>	<u>217.74</u>

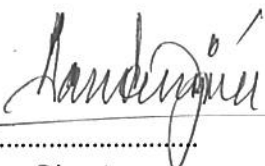
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STATEMENT OF FINANCIAL POSITION

As at 30th September

ASSETS	Note	2018 Rs Mn	2017 Rs Mn
Cash and cash equivalents		246.09	16.33
Financial assets -Loans and Receivables	6.	1,417.69	7,165.88
Other Receivables	7.	22.49	4.98
Income tax recoverable		7.62	3.29
TOTAL ASSETS		<u><u>1,693.89</u></u>	<u><u>7,190.48</u></u>
 UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	8.	<u>251.39</u>	<u>3.61</u>
Total Liabilities (Excluding net assets attributable to Unit Holders)		251.39	3.61
 UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		1,442.50	7,186.87
		<u><u>1,693.89</u></u>	<u><u>7,190.48</u></u>

Signed on behalf of the Management Company


.....
Director


.....
Director

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STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS
For the 06 month period ended 30th September

	2018	2017
	Rs. Mn.	Rs. Mn.
UNIT HOLDER' FUNDS AT THE BEGINNING OF THE PERIOD	1,302.49	1,669.99
Increase in net assets attributable to unit holders	60.12	217.74
Unit Creations	3,453.34	19,309.40
Payment on unit redemption	(3,373.45)	(14,010.25)
UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD	<u>1,442.50</u>	<u>7,186.87</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

- 1** All figures are provisional and unaudited. Where necessary comparative figures have been adjusted to confirm with the changes in presentation in the current period.
- 2** Income is recognised on an accrual basis.
- 3** There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.
- 4** No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the Financial Statements.

5 Net Asset value of a Unit as at September 30 (Rs.)	2018	2017
(Applicable to Units)	19.37	17.57
	74,049,816.40	408,859,252.10

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NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

6. FINANCIAL ASSETS - LOANS AND RECEIVABLES	2018	2017
	Rs. Mn.	Rs. Mn.
6.1 Treasury Bills Repurchase Agreements		
Wealth Trust Securities Ltd	-	878.62
	-	878.62
6.2 Investment in Commercial Papers		
Dunamis Capital PLC	19.17	541.94
Dunamis Capital PLC	50.34	-
Dunamis Capital PLC	49.27	-
Dunamis Capital PLC	28.24	-
Lanka Orix Leasing Company PLC	23.20	850.34
Lanka Orix Leasing Company PLC	41.52	-
Lanka Orix Leasing Company PLC	109.53	-
Lanka Orix Leasing Company PLC	33.80	-
First Capital Holdings PLC	19.17	671.08
First Capital Holdings PLC	23.16	-
First Capital Holdings PLC	46.72	-
First Capital Holdings PLC	110.73	-
Softlogic Holdings PLC	24.21	849.21
Softlogic Holdings PLC	110.73	-
Softlogic Capital PLC	-	-
Janashakthi PLC	-	353.83
MTD Walkers PLC	-	637.42
	<u>689.79</u>	<u>3,903.82</u>
6.3 Investment in Money Market Saving	31.86	-
	<u>31.86</u>	-
6.4 Investment in Fixed Deposits		
Siyapatha Finance PLC	59.62	654.90
Siyapatha Finance PLC	11.09	-
Siyapatha Finance PLC	96.49	-
Siyapatha Finance PLC	58.52	-
Central Finance PLC	-	152.09
Merchant Bank of SriLanka	75.78	590.42
Merchant Bank of SriLanka	40.63	-
Merchant Bank of SriLanka	30.75	-
Merchant Bank of SriLanka	19.12	-
DFCC Bank	-	101.25
Commercial Leasing and Finance PLC	14.11	551.54

Commercial Leasing and Finance PLC	48.31	-
Commercial Leasing and Finance PLC	25.46	-
Commercial Leasing and Finance PLC	56.48	-
Melsta Regal Finance PLC	-	333.25
Vallibel Finance PLC	99.05	-
LB Finance PLC	60.64	-
	<u>696.03</u>	<u>2,383.44</u>

	<u>1,417.69</u>	<u>7,165.88</u>
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7. OTHER RECEIVABLES

	2018	2017
	Rs. Mn.	Rs. Mn.
Unit Creation Receivable	0.28	4.29
Fixed Deposit Capital and Interest Receivable	22.21	-
Placement fee Receivable	-	0.69
	<u>22.49</u>	<u>4.98</u>

8. ACCRUED EXPENSES

	2018	2017
	Rs. Mn.	Rs. Mn.
Fund management fees payable	0.61	2.60
Trustee fee and Custodian fee payable	0.23	0.90
Audit fee payable	0.13	0.09
Redemption payable	250.41	0.02
Other payable	0.00	-
	<u>251.39</u>	<u>3.61</u>

9. INTEREST INCOME

	06 month	06 month
	period ended	period ended
	30.09.2018	30.09.2017
	Rs. Mn.	Rs. Mn.
Interest on		
Treasury bill repurchase agreements	-	28.05
Money Markert Saving	1.87	-
Treasury bond	-	-
Commercial papers	20.17	149.31
Savings account	2.30	0.22
Fixed deposits	40.27	77.09
Trust Certificates	-	-
Placement Fee Income	-	0.89
	<u>64.61</u>	<u>255.56</u>

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CORPORATE INFORMATION

Trustee & Custodian	Deutsche Bank AG 86 Galle Road Colombo 03.
Auditors	Ernst & Young Chartered Accountants 201, De Saram Place, Colombo 10.
Bankers	Deutsche Bank AG 86 Galle Road Colombo 03.
Lawyers	F J & G De Saram Attorneys-at-Law & Notaries Public 216, De Saram Place Colombo 10.
Management Company & Registrars	National Asset Management Limited (NAMAL) 7, Glen Aber Place, Colombo 03.

National Asset Management Limited
Board of Directors (As of 30th September 2018)

Mr. Alexis Lovell	Chairman
Mr. Indrajit Wickramasinghe	Director
Mr. Tyronne de Silva	Director
Mr. Malinda Samaratunga	Director
Mr. Wijenanada Dambawinne	Director
Mr. Suren Madhanayake	Director
Ms. Khoo Siew Bee	Director
Mr. Kapila Nanayakkara	Director